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## **Montana Board of Housing reimburses first time homeowners for recapture tax**

BY JO DEE BLACK Tribune Staff Writer

First time homebuyers need to worry about appraisals, inspections and credit reports. But in Montana, they no longer need to worry about a rarely imposed federal tax.

The Montana Board of Housing, which provides low-interest mortgages for new homeowners, will reimburse clients required to pay the "recapture tax" in the future.

"The tax doesn't impact many people, so it's not a deterrent to home ownership," said Jason Edmister, a mortgage lender from Stockman Bank. "But it's a nice move on the state's part."

The recapture tax was inserted into the Internal Revenue Code in 1986. It's intended to assure that lenders using tax-free bonds to provide affordable financing serve low- to moderate-income homebuyers.

If a homeowner who participates in the program sells their home within nine years, makes a profit and has an income increase that exceeds the program's guidelines, they could be subject to the recapture tax.

Few Montana homeowners have paid the tax. In 2001, it applied to only five people in the state. The largest tax bill was for \$4,500, and the average was \$24.

But to alleviate any anxiety created by the potential, the Montana Board of Housing decided to reimburse sellers in the state who are subject to the tax.

"The goal here is for program participants to purchase homes with confidence," said Gov. Brian Schweitzer.

Brian Shepherd, a computer programmer analyst for Cascade County, wasn't really worried about the recapture tax when he and his wife bought their first home last year. The couple financed their purchase through the Montana Board of Housing.

"But if the state is changing the law so you get reimbursed instead of dinging you if you make a profit, that's a good thing," he said.

His family plans to live in their new home, one of the houses built by local high school students, for quite a while.

The Montana Board of Housing program provides mortgages that are about a half a point lower than conventional loans, said Edmister.

Generally, the down payment is 3 percent of the price of the house.

"The Montana Board of Housing doesn't charge customers the 1 percent origination fee, so this is a very marketable product," he said. "It gives people more housing options at affordable rates and costs."

Income levels and maximum mortgage amounts vary from city to city. In most areas, people who have not owned a home for the past three years are the only ones who qualify for the program.

However in targeted areas, including the city of Great Falls, anyone within the income guidelines can apply.

In Great Falls, households of two or less can have an annual income up to \$58,320 and qualify. The maximum household income for families of three or more is \$68,040.

The maximum price of a home that can be financed with a Montana Board of Housing loan is \$200,160.

Since 1977, the Montana Board of Housing has financed \$2.5 billion in mortgages for 40,000 families.